GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:994
ANSWERED ON:01.03.2000
MODERN FOOD INDUSTRIES INDIA LIMITED
SULTAN SALAHUDDIN OWAISI

Will the Minister of AGRICULTURE be pleased to state:

(a) whether his Ministry has signed an agreement with Hindustan Lever Limited, as a first efforts towards strategic sale of Government equity in Modern Food Industries Limited;

(b) if so, the details of the agreement so reached;

(c) whether interests of workers have been kept in view while signing this agreement;

(d) if so, the details of steps taken to protect the interest of workers; and

(e) the ratio of stake of Government and HLL in Modern Food Industries?

Answer

THE MINISTER OF STATE FOR FOOD PROCESSING INDUSTRIES

(SHRI SYED SHAHNAWAZ HUSSAIN)

(a): The Government has signed Agreement with M/s. Hindustan Lever Limited (HLL) thereby disinvesting 74 per cent of its equity holding in Modern Food Industries (India) Limited to HLL.

(b): The salient features of the Agreement are at Annexure.

(c): Yes, Sir.

(d): The provisions in the Agreement for protection of employees` interest in MFIL are at part (f) (I) to (iv) of the Annexure. Besides this, the Strategic Partner envisages appropriate plans keeping in mind the best interest of the Company, its employees and the shareholders.

(e): The ratio of equity holding in Modern Food Industries (India) limited by the Government and HLL will be 26:74.

ANNEXURE
The salient features of the Agreements between the Government, M/s. Hindustan Lever Limited (HLL) and Modern Food Industries (India) Limited are as under :-

(a) The Government has disinvested 74% of its equity in MFIL to HLL. M/s. Hindustan Lever Limited (HLL) has paid an amount o Rs.105.45 crores to the Government and has further infused an amount of Rs.20 crores in Modern Food Industries (India) Limited (MFIL) for securing 74 percent of Government equity holding in MFIL in such a way that the shareholding of HLL in MFIL remains restricted to 74 per cent.

(b) The Agreement inter alia provides for post-closing adjustments on account of receivables/payables; purchaser`s loss; tax liability and litigation in respect of cases for the pre-closing period from 1.4.1999 to 31.1.2000.

(c) MFIL will be managed by its Board of Directors and all decisions of the Board will be taken by majority vote. However, approval of Government of India Director is necessary on certain matters such as transfer of shares, sale of all or substantially all assets of the company, winding up, merger/amalgamation and issue of additional shares.

(d) Presence of one Government Director is necessary for purposes of quorum for Board of Directors meeting.

(e) In terms of the Agreement, the Government shall have the right to nominate two (2) Directors on the Board of MFIL so long as it holds 25% or more of MFIL shares and one (1) such Director shall be the Chairman of the Board who will preside at all the meetings of the Board and the Shareholders of the Company. HLL shall have the right to nominate not more than five (5) Directors and one of such Directors shall be the Managing Director of MFIL.

(f) The Agreement inter alia provides for protection of the interest of the employees as under:-

(i) In the Recital to the Shareholders Agreement `that the parties envision that all employees of the Company on the date hereof will continue in the employment of the Company.`

(ii) Through the 1st anniversary of the date of the Agreement, any dismissal or termination of employees of the Company from their employment may be undertaken only in accordance with the applicable staff regulations and standing orders of the Company or applicable law; provided, however, that no retrenchment of an employee through the 1st anniversary of the date of this Agreement shall be undertaken unless the affected employee is given benefits that are equal to or exceed the Maximum Benefit which shall mean employee benefits which are higher of (a) Voluntary Retirement Scheme offered by the Government of India to employees of the Company as of the date hereof or (b) the benefits available to an employee under applicable law.

(iii) The breach of obligations relating to the employees would constitute an Event of Default inviting penal action in terms of buying Strategic Partner`s shares in MFIL at 25% discount or sell all the Government owned MFIL shares to the Strategic Partner at 25% premium. This right is without prejudice to the Government`s right to seek remedies at law or in equity against the Strategic Partner.

(iv) Notwithstanding the above, the Agreements shall be governed in accorance with the laws of the land and as such the interest of employees will also be governed under the Provisions of the Industrial Disputes Act, 1947.

(g) The Agreement also provides for the eventualities, which would be construed as Events of Default rendering the defaulting party liable to penal action besides the representations and warranties of each of the parties.